

# Procurement Policies and Procedures

## *Supplier Diversity Program*

The federal government's procurement process is different than that of private industry because it entails the spending of taxpayer dollars. Simply stated, the federal process involves obtaining the best results using best-value procedures, usually through competition, while carrying out many national security, social and economic goals established by law. As a result, the formal process may seem rigid and frustrating to the small-business person.

### **FEDERAL AND TRUST FUND PURCHASING:**

Federal appropriations account for about 64% of the Smithsonian's net operating funds. The purchase of supplies, materials, equipment, services and building construction, alteration and repair with appropriated funds is guided by provisions of the Federal Acquisition Regulation and other federal regulations appropriate to the Smithsonian's role as a trust instrumentality of the United States. The Smithsonian's Office of Contracting and Personal Property Management (OCON&PPM) and the Office of General Counsel (OGC) determine the applicability of such regulations.

Funds that the Smithsonian receives from sources other than direct federal appropriations are known as trust funds. When practicable, the policy for expenditure of trust funds is based on the principles embodied in the Federal Acquisition Regulation.

### **DELEGATION OF AUTHORITY:**

Through a delegation of authority from the Secretary of the Smithsonian Institution, the Director of the OCON&PPM is the designated Head of the Smithsonian Contracting Activity and principle Contracting Officer. In this capacity, the Director is authorized to acquire property and services needed to conduct the affairs of the Institution and may re-delegate his/her authority to other Smithsonian employees. Purchase orders and contracts may be entered into only by Smithsonian employees who hold official delegations of authority from the Director of OCON&PPM.

The Director of OCON&PPM has delegated authority to more than 500 purchasing agents and contracting officers at the Smithsonian's museums,

research centers and offices (known as Smithsonian units). Each delegation of authority is in writing and contains administrative and dollar limitations. Purchases for restricted items or items that exceed the delegated dollar limits must be awarded from OCON&PPM, but the unit purchasing staff remains responsible for the details of the agreement, including locating qualified vendors and obtaining price quotes.

## **PURCHASING POLICIES:**

For purchases, the Smithsonian's policy is to seek competition when possible to ensure that a fair and reasonable price is obtained from the vendor that is selected. The Smithsonian supports the use of priority sources, such as vendors under UNICOR (formerly the Federal Prison Industries program), Ability One program, and General Services Administration supply sources or vendors with GSA contracts.

The Smithsonian also establishes and utilizes agency- and government-wide contracts for its needs. When these sources cannot provide the services or supplies required, the Institution turns to commercial sources in the open market. For open market purchases over \$10,000, Smithsonian buyers are required to obtain quotations from at least three sources to ensure adequate competition. Exceptions exist in such cases as museum collection objects, lecturers and some emergency purchases.

Although purchasing requirements that exceed the delegated procurement authority are submitted to OCON&PPM for approval, the evaluation of vendors generally occurs at the unit level. Therefore marketing efforts should be directed to the Supplier Diversity Program liaisons for those units rather than OCON&PPM staff.

Purchases under \$100,000 are generally set aside for small businesses. If a company qualifies as a small business, minority, socially and economically disadvantaged 8(a), women-owned, historically underutilized business zone (HUBZone), or service-disabled veteran-owned business, it will receive consideration for needs to met through existing Smithsonian contracts or other pre-established government contracts. When appropriate and feasible, purchasing requirements are submitted for consideration under the small Business Administration's 8(a) Business Development Program. More information on this program can be by going to SBA's [8\(a\) Business Development Program](#).

## **PURCHASING PROCESS:**

Before initiating an acquisition from commercial sources, Smithsonian must determine whether the required supplies or services are available from the applicable Federal Supply Schedule established by the General Services Administration. (Small businesses interested in conducting business as a Federal Supply Schedule contractor should contact GSA's [Assistance for Small Businesses](#).)

The purchasing process begins with a Smithsonian office identifies a need and writes a purchase description or a statement of work describing the need in detail. A market survey is performed to determine a price range. If the price is estimated to be above the Simplified Acquisition Threshold (SAT) of \$100,000; a requisition is submitted to OCON&PPM, where it is screened for possible inclusion in any set-aside programs for small and disadvantaged businesses. Vendors are notified of the contracting opportunity and asked to provide proposal information. If the procurement falls under the Simplified Acquisition Threshold, the unit searches for potential vendors and obtains three quotes.

Using a request for quotation (RFQ) or request for proposal (RFP), the Smithsonian unit describes its objects, requirements, and other pertinent information. This solicitation contains all of the information needed for a business to prepare an adequate response. Vendors should give great attention and care to their responses, noting all instructions, particularly the submittal deadline. Any oversight may result in elimination from consideration.

## **SOLICITATION PROCEDURES OVER THE SIMPLIFIED ACQUISITION THRESHOLD:**

Solicitations that result in an award of a contract that does not involve competition are known as sole-source procurements. Federal procurements emphasize the need for competition, so sole-source awards are the exception to the rule for the Smithsonian.

The Smithsonian uses two types of competitive processes: sealed bidding and negotiation. Sealed bidding is a method of contracting that involves competitive bids, public opening of bids and awards. Each sealed bid addresses the factors specified in the solicitation, including technical specifications, deliver or completion date, place and method of delivery, nature and number of reports or manuals, and operational tests and instructions. Smithsonian

terms and conditions are described in detail, while contract clauses are incorporated by reference to the Federal Acquisition Regulation. Unless specifically authorized, a bid submitted electronically or an alternate bid will not be considered.

Negotiation accommodates the government's need for flexibility in evaluating potential contractors through factors other than price. These factors may include technical aspects of the proposal, such as delivery or completion dates, performance requirements, and technical expertise. Proposals may even be improved or clarified during negotiations. To solicit a proposal for this type of procurement, the Smithsonian issues a request for proposal that details performance specifications, as well as, detailed design specifications. Negotiations are conducted with all firms in the competitive range. At the conclusion of negotiations, all firms in the competitive range are requested to submit a "best and final offer," which usually forms the basis for contract awards. The Smithsonian measures the proposals it receives through standards set for by evaluation criteria as stated in the original solicitation. Accordingly, solicitations should be analyzed carefully to avoid responding to those with requirements that cannot be fully satisfied.

#### **PURCHASE ORDERS:**

Purchase orders under the SAT are generally awarded as fixed-price contracts, meaning a definite price for the product or service is agreed upon before the contract is awarded. This price remains fixed throughout the life of the contract and usually is not subject to adjustment. This type of contract does not require detailed accounts of direct and indirect costs. Fixed-price contracts generally are used when clear designs or performance specifications are available and fair and reasonable prices can be estimated and established.

Cost-reimbursement contracts provide for payment to the contractor of all allowable costs incurred during performance of the contract. This type of contract may also establish payment of a fixed fee to the contractor over and above the allowable costs incurred during the course of the contract. Cost-reimbursement contracts generally are used when a project's work specifications cannot be detailed, as in research and development activities, and when performance questions establish that a fixed-price contract is inappropriate.

#### **PURCHASE CARDS AND UNIT BLANKET AGREEMENTS:**

Although the purchase card is preferred for most micro-purchases (those under \$3,500), the Smithsonian establishes unit blanket agreements (UBAs) with vendors that do not accept the purchase card. Upon establishment of a UBA, the unit gives the prospective vendor a purchase order that describes the supplies or services, lists the personnel authorized to place the order, and places a dollar limitation on each order. Smithsonian units are authorized to establish their own unit-based UBAs with limits on the annual cost per agreement.